



**CITIZEN'S REVENUE REVIEW AND  
ECONOMIC COMPETITIVENESS COMMISSION**

**MEETING MINUTES FOR  
THURSDAY, MARCH 25, 2010, AT 3:30 P.M.  
COUNCIL CHAMBERS (12<sup>TH</sup> FLOOR),  
202 C STREET, SAN DIEGO, CALIFORNIA**

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The meeting was called to order at 3:34 PM by Chair Bob Nelson.

**Commissioners Present:** Moser, Barros, Standifird, Singh (left at 5:25PM), Morton (arrived at 5PM) Nelson

**Commissioners Absent:** Bonanno, Gin

**Staff Present:** Paul Prather (City Attorney's Office), Andrea Tevlin (IBA), Eduardo Luna (City Auditor's Office), Mary Lewis, CFO

**NON-AGENDA PUBLIC COMMENT:** None

**COMMISSION COMMENTS:** None.

**COUNCILMEMBER, CITY ATTORNEY, IBA, CITY AUDITOR AND MAYORAL STAFF COMMENT:**  
None.

**ADOPTION AGENDA:**

Approval of the Record of Action Items for March 11, 2010 with the change noted that Barros was not present for the meeting.

**ACTION:** Motion made by Moser, seconded by Standifird.

**VOTE:** Passed unanimously.

**INFORMATION/DISCUSSION ITEMS:**

**ITEM-I:** Report on the City Wide Revenue Audit from the Independent City Auditor (Auditor)  
Part II

Independent City Auditor recommended:

- Business Tax Compliance Program should develop written policies/procedures for the work it performs.
- Business Tax Compliance Program should expand techniques used for ensuring compliance – including utilization of preventative measures such as informal employee audits – and determine an alternative method for ensuring accurate business size designation.

Commissioner Moser raised question regarding cost of compliance and the Auditor indicated a cost-benefit analysis would be conducted.

Commissioner Standifird inquired about whether the employee headcount tax approach is

as common as tax on gross receipts. Auditor indicated that both are common approaches in California.

Standifird also inquired about how and when the gas /electric franchise fee was set at 3%. Auditor indicated that was the percent originally set – it was reconsidered in 2002 and kept at 3%.

Chair Nelson had previously submitted a list of several questions for the Auditor. The questions were answered by Mr. Luna, his staff and CFO Mary Lewis for the Commission's benefit:

Q: Are cable franchise fees associated with “bundling” current and compliant? Any revenue opportunities from bundling?

A: The current fees account for bundling. Unaware of further revenue opportunities.

Q: Would City collection of Business Taxes increase significantly if Council passed an ordinance requiring that all commercial property owners initially and annually advise tenants of their obligation to determine and pay business taxes?

A: Probably not. Biggest collection issue is with 1099 groups.

Q: Regarding refuse haulers, what accounts for the wide disparity in fees, late penalties, and AB 939 Fees from CY 2006-CY2008?

A: The difference in collection from Class 1 versus Class 2 based on volume of the companies audited.

Follow-up Comment: Will the Auditor look into the cost/benefit of annual audits of Class 2?

Q: What accounts for the \$5 million reduction in FY 2008 revenue as compared to both the preceding and subsequent FY?

A: Civil litigation awards account for differences.

Q: Should the City expend resources to audit the County's assessment, collection and distribution of property tax?

A: The county is audited by the state; the City looks to improve the collection process where possible, but the City does not audit how County assesses. Will look into cost/benefit of expending resources.

Q: Is it correct that under the Mills Act, historical property abatements can reduce City property tax revenue by 40-60% on a given property? By what means does the City ensure that exempted properties remain in compliance with the terms of the City-owner?

A: The assertion is correct – historical property taxes are reduced by 40-60%. Auditor will gather data on whether greater scrutiny could result in significant funds for City.

Chair Nelson further inquired about whether there are issues with auditing hotels for TOT. Auditor indicated the audit cycle wasn't perfect, but that it isn't a huge concern since hotels are required to keep records for longer than the 3-year audit cycle.

Chair Nelson also asked whether the Auditor should be funded based on a percentage of

the total City budget. Auditor indicated, perhaps, but either way, Auditor is currently understaffed.

Nelson inquired as to whether all business license auditing should be brought “in-house.” Auditor indicated that the current contractor provides a high level of expertise and proprietary software which would probably be unmatched if brought “in-house.”

Commissioner Standifird emphasized the importance of deliberation on issue of location of the “point of sale.”

***Meeting Recessed at 5:20PM – re-adjourned at 5:25PM (Singh left meeting)***

**ITEM-2** Report from the Independent Budget Analyst on Revenue Options for the City of San Diego

IBA discussed the following options:

- Increasing property taxes (requires statewide vote)
- General obligation bonds
- Parcel taxes
- Sales and use taxes
- Utility Users Tax
- Transient Occupancy Tax
- Property Transfer Tax
- Parking Tax
- Business Tax
- Rental Car Tax
- Collection for Refuse Collection
- Storm Water Fee
- Parking Fee for Parks/Beaches
- First Responder Fee/False Alarm Fee/911 Phone Fee
- General Plan Maintenance Fee
- Corporate Sponsorships (to be presented at next meeting)

Commissioner Moser discussed concerns about whether the Commission could make recommendations in time for something to be on the November 2010 ballot.

Commissioner Standifird asked about why owners would not sign “hold harmless” agreements in order to get free refuse collection? IBA responded that those agreements are no longer offered by the City.

Discussion occurred between IBA/Standifird/Morton regarding interest over managed competition of refuse collection and whether a franchise fee could be considered a “cost.”

**ITEM-3** Report from the Independent Budget Analyst on City of San Diego Restricted Revenues

The Second IBA presentation re-examined “restricted” options presented in first presentation, but with greater detail. These potential revenues included:

- TOT
- Business License Tax
- Franchise Fees
- Parking Meter Revenue
- Lease Revenue

Commissioner Barros inquired about how parking districts could be established. IBA indicated they would get back to the Commission.

Chair Nelson wondered why there were no parking meters at beaches. He further emphasized that there must be a nexus between meter fees collected and broadly defining eligible street maintenance and traffic enforcement expenses.

Commissioner Standifird expressed interest in trying to use TOT revenue for capital improvement projects.

Chair Neslon asked about the policy rationale for having an ordinance defining TOT revenue splits between General Fund and promotions account.

#### **STANDING ITEMS/ UPDATES:**

Commissioner Barros asked commissioners to have their top 3 revenue recommendation picks ready for the April 22<sup>nd</sup> meeting. Commissioner Moser asked that in evaluating their picks, the commissioners consider not only the potential increase in revenue, but the reality/feasibility of implementation.

**ITEM-1**      Economic Competitiveness

**ITEM-2**      Revenue Review

**ITEM-3**      Revenue Audit

**ITEM-4**      Public Input

Ileanna Ovalle, an external affairs representative from Cox Communications representing both Cox and Time Warner expressed concern that any increased utility fees on cable services would put cable at a competitive disadvantage to unregulated satellite and voice internet and could cause lost customers and lost City revenue.

**ITEM-5**

**ACTION ITEMS:** None

The meeting was adjourned by Chair Bob Nelson at 6:55PM.

Bob Nelson  
Chair